

MAC CHARLES (INDIA) LIMITED

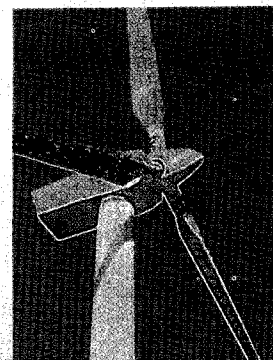
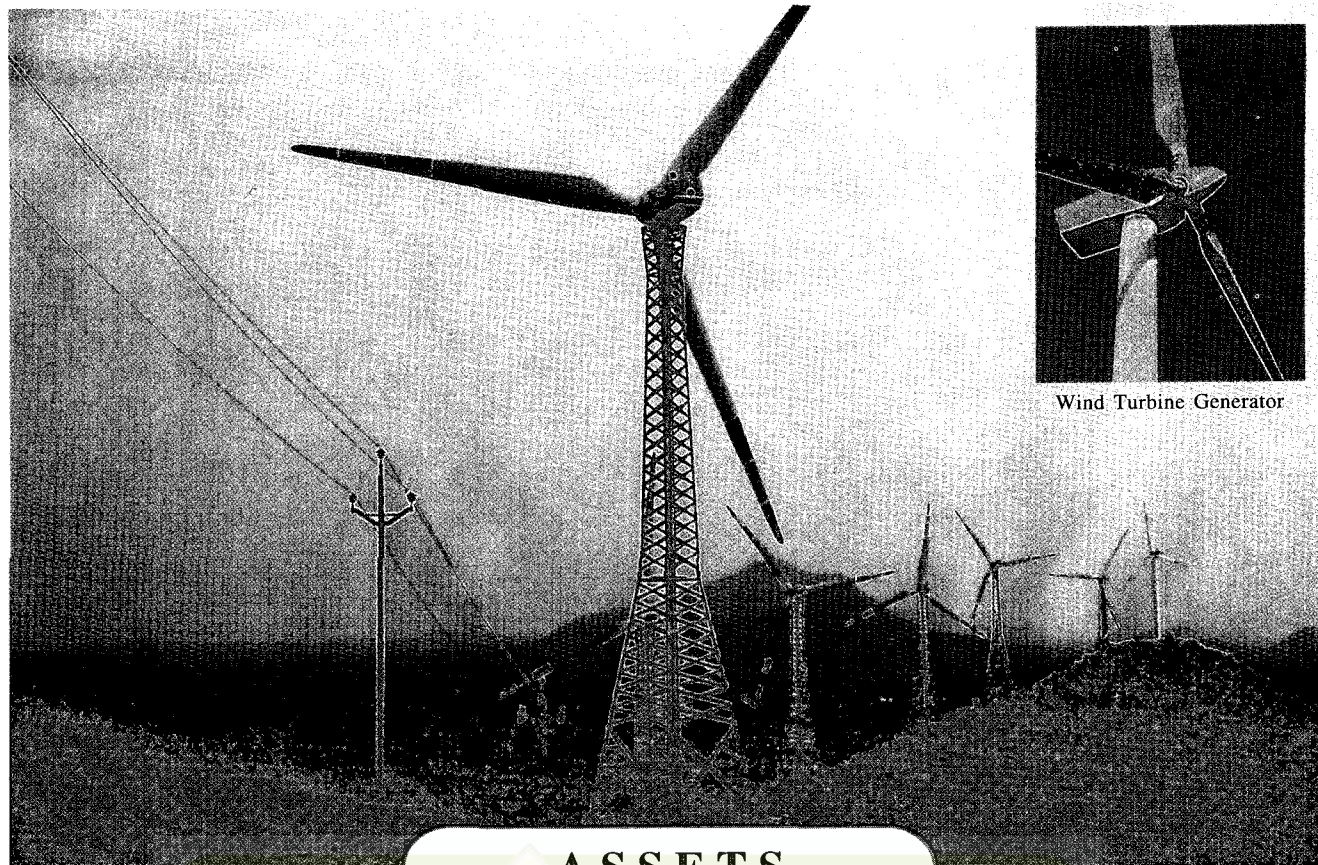
27th Annual Report 2006-07

Le MERIDIEN

BANGALORE

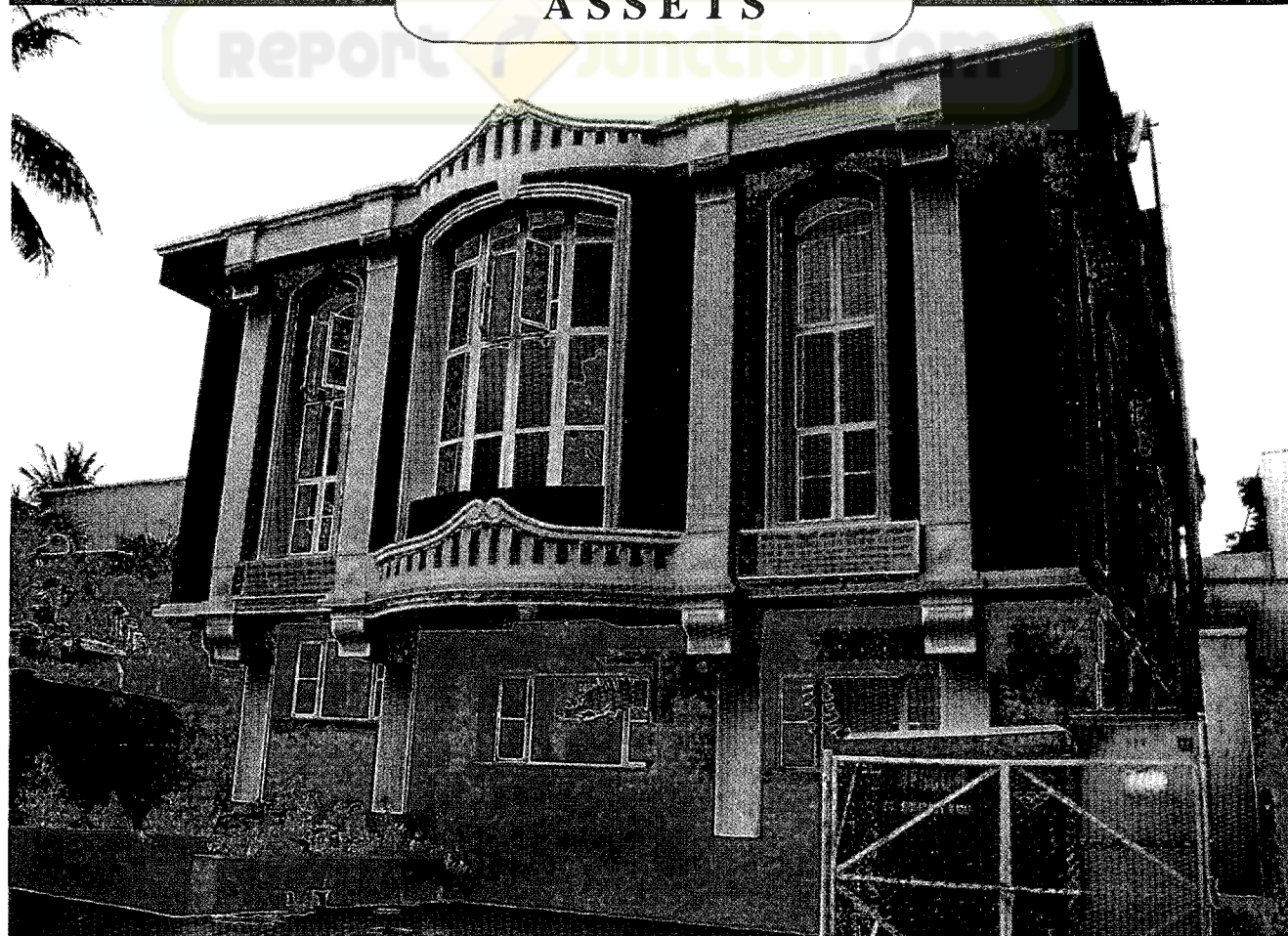
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Wind Turbine Generator

ASSETS



MAC CHARLES (INDIA) LIMITED**Annual Report 2006 - 2007****BOARD OF DIRECTORS**

Mr. C.B. Pardhanani	Chairman
Mr. J. Matthan	Director
Mr. B.N. Garudachar	Director
Mr. K.R. Sampath	Director
Mr. P.B. Appiah	Director
Mrs. Kavita C. Pardhanani	Director
Ms. Sangeeta C. Pardhanani	Managing Director

FINANCIAL CONTROLLER & COMPANY SECRETARYMr. M.S. Reddy *B.Com., LL.B., MBIM, FCA, FCS***REGISTERED OFFICE***Le MERIDIEN* - BANGALORE

28, Sankey Road, Bangalore - 560 052

Tel : 22262233/22282828

Fax : 22267676/22262050

e-mail : leme.bangalore@lemeridien.com

Visit us at : www.lemeridien-bangalore.com

PRINCIPAL BANKERS

State Bank of India, Bangalore

State Bank of Mysore, Bangalore

AUDITORS

K. B. Nambiar & Associates

101, President Chambers

8, Richmond Road

Bangalore - 560 025

REGISTRARS &**SHARE TRANSFER AGENTS**

Canbank Computer Services Ltd

(A Subsidiary of Canara Bank)

R & T Centre, Naveen Complex

4th Floor, # 14, M. G. Road

Bangalore - 560 001.

INVESTORS' QUERIES

e-mail : secretarial.bangalore@lemeridien.com

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TWENTY SEVENTH Annual General Meeting of MAC CHARLES (INDIA) LTD. will be held on FRIDAY the 28 SEPTEMBER 2007 at HOTEL LE MERIDIEN, No. 28, Sankey Road, Bangalore - 560 052 at 3 p.m.

NOTE:

(a) As a measure of economy, copies of Annual Report will not be distributed at the Meeting. Members are requested to kindly bring their copies to the Meeting.

(b) Children accompanying a member/proxy will not be allowed inside the meeting hall.

MAC CHARLES (INDIA) LIMITED

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN TO THE MEMBERS THAT the 27th Annual General Meeting of **MAC CHARLES (INDIA) LIMITED** will be held at Hotel Le Meridien, No. 28, Sankey Road, Bangalore – 560 052, on **Friday the 28th September 2007 at 3 p.m.** to transact the following business:

ORDINARY BUSINESS

1. To receive and adopt the audited accounts of the Company for the year ended 31 March 2007 together with the Directors' and Auditors' report thereon.
2. To confirm the interim dividend already paid by the Company as final dividend.
3. To appoint a Director in place of Mr. J. Matthan, who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Mr. B. N. Garudachar, who retires by rotation and is eligible for re-appointment.
5. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company and to authorise the Board of Directors to fix their remuneration.

SPECIAL BUSINESS :

6. To Consider and if thought fit to pass with or without modification the following resolution as a special resolution :

"RESOLVED THAT pursuant to the provisions of Sections 94, 31 and other applicable provisions of the Companies Act, 1956, the authorised capital of the Company be increased from Rs.8 Crores (Rupees Eight Crores) divided into 80,00,000 (Eighty Lakhs) Equity Shares of Rs.10/- (Rupees Ten) each to Rs.20 Crores (Rupees Twenty Crores) divided into 2,00,00,000 (Two Crores) Equity Shares of Rs.10/- (Rupees Ten) each, by creating 1,20,00,000 (One Crore Twenty Lakhs) new equity shares of Rs.10/- each ranking pari passu with the existing equity shares and that clause V of the Memorandum of Association and Article 3 of the Articles of Association of the Company be altered accordingly.

7. To Consider and if thought fit to pass with or without modification the following resolution as a special resolution :

"RESOLVED THAT pursuant to the provisions of Section 17 and other applicable provisions, if any, of the Companies Act, 1956 clause-III(A) of the Memorandum of Association of the Company be altered by the addition of the following new sub-clause 7 after the existing clause 6 to read as under :

"7. To generate, harness, develop and accumulate electric power by setting up all types of power plants, like Hydro Power, Thermal Power, Diesel Power, Multi Fuel Based Power, Micro Hydel Power, Nuclear Power, Wind Turbine Power plants and also to generate electric power by harnessing wind, solar, tidal and other sources of energy for captive consumption and also supply and distribution either directly or through State Electricity Boards or others to consumers of electricity on commercial basis and to establish, construct, and maintain necessary power stations and to generally accumulate, distribute and supply electricity".

8. To Consider and if thought fit to pass with or without modification the following resolution as a special resolution :

"RESOLVED THAT the Board of Directors be and are hereby empowered and authorized to invest surplus funds of the Company in Shares, Securities, Mutual Funds and/or other form of investments in order to utilize funds more profitably in the best interest of the Company"

By Order of the Board of Directors

Bangalore
20 August 2007

M.S. REDDY
Company Secretary

NOTES:

- a) A member entitled to attend and vote is entitled to appoint a proxy (whether a member or not) to attend and vote instead of himself but a proxy so appointed has no right to speak at the meeting. **Children accompanying a member/proxy will not be allowed inside the meeting hall.**
- b) Proxy form duly completed and signed should be deposited at the Registered Office of the Company not less than forty-eight (48) hours before the commencement of the Meeting. Blank proxy form is annexed hereto.
- c) An explanatory statement pursuant to Section 173 of the Companies Act, 1956, in respect of the Special Business is set out in the annexure.
- d) Members having specific queries regarding accounts are requested to deposit their queries in writing at the Registered Office of the Company not less than forty-eight (48) hours before the commencement of the meeting, so as to make the management to furnish the clarification.

Annual Report 2006 - 2007**ANNEXURE TO NOTICE****EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956****ITEM No.6 :****INCREASE IN THE AUTHORISED SHARE CAPITAL OF THE COMPANY :**

In order to accommodate the proposed Rights Issue to augment funds for setting up of Hotel project at Cochin, it is necessary to increase Authorised Share Capital of our Company from Rs.8 Crores to 20 Crores. It requires amendment of Memorandum of Association and Articles of Association of the Company. Hence this resolution is commended to the shareholders for approval. None of the Directors of your Company are interested or concerned in the proposed Special Resolution except Mr. C. B. Pardhanani, Mrs. Kavita C. Pardhanani and Miss. Sangeeta C. Pardhanani indirectly to the extent they may be entitled to subscribe for their rights entitlement as and when shares are issued and offered for subscription.

ITEM No. 7 :**AMENDMENT OF THE MAIN OBJECTS CLAUSE IN MEMORANDUM OF ASSOCIATION :**

The Company has deemed it profitable to enter into a new business of generation of electricity and sale of electricity. Hence it is necessary to amend the Main Objects of the Company as enumerated in the Memorandum of Association in view of possible wheeling of power for the Hotel's captive consumption, the Income Tax benefits and also good return on investment for a long term. The Board of Directors

recommend adoption of Resolution which will enable the Company to enter into this new business, in the best interests of the Company. None of the Directors are interested or concerned in the said resolution.

ITEM No. 8 :**INVESTMENTS IN SHARES, SECURITIES, MUTUAL FUNDS AND/OR SUCH OTHER INVESTMENTS :**

The Company's main business is of Hoteliering. In order to increase the revenues, it has been investing on temporary basis its surplus money in shares, securities, mutual funds and or such other investments. The extra earnings are utilized for the expansion of facilities in the existing hotel and also to meet the hotel expansion plans which ultimately aims to achieve main object of the Company. The Company is presently planning to set up a five star hotel project at Cochin. The Memorandum of Association of the Company contains Incidental or Ancillary Objects which give authority to the Company to make use of surplus funds in such investments as are beneficial to the Company. However as a measure of abundant caution, this special resolution is placed before the shareholder specially empowering and authorizing the Board of Directors to make investments of surplus funds in shares, securities, mutual funds and/or such other investments in the best interest of the Company. None of the Directors are interested or concerned in the said resolution.

By Order of the Board of Directors

Bangalore
20 August 2007

M.S. REDDY
Company Secretary

MAC CHARLES (INDIA) LIMITED

DIRECTORS' REPORT TO THE MEMBERS

Your Directors have pleasure in presenting the 27th Annual Report of the Company together with the Audited Statement of Accounts for the year ended 31 March 2007

FINANCIAL RESULTS

	<i>Rs. in Lakhs</i>	
	2006-07	2005-06
Sales Turnover	8467.34	7189.78
Other Income	1254.85	2354.73
Expenditure	3310.60	3286.74
Provision for Taxation	1919.75	1679.53
Profit for the year	4491.84	4578.24
Profit brought forward from previous year	511.63	680.31
Interim / Final Dividend including Corporate Dividend Tax	746.92	746.92
Transfer to General Reserve	4000.00	4000.00
Profit transfer to Balance Sheet	256.54	511.63
Earning Per Share	68.57	69.89

HOTEL OPERATIONS

During the year under report, the strong economic growth in general coupled with the IT and BPO boom in Bangalore helped the Hotels to attain high room occupancy and better average room rates. The sales turnover has increased considerably from Rs.7190 lakhs to Rs.8467 lakhs. However the profit after tax has decreased from Rs.4578 lakhs to Rs.4492 lakhs due to decrease in other Income and increase in provision for taxation.

FUTURE PROSPECTS

During the current financial year 2007-08, the hotel business is sliding and moderate working results are likely to be achieved barring unforeseen events.

FINANCE

During the year under report, the financial position of the Company has further improved with significantly increased reserves and surplus.

DIVIDEND

The Board of Directors have approved payment of interim dividend of Rs.10/- per share on share capital of Rs.6.55 crores divided into 65,50,526 equity shares of Rs.10/- each. The said interim dividend, if confirmed as final dividend at the ensuing Annual General Meeting, will be treated as final dividend.

DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors of the Company confirms:

- Applicable accounting standards have been followed in the preparation of annual accounts. Material departures therefrom, if any, are properly explained in the notes on accounts ;
- The Board of Directors has selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the period ;
- The Board has taken proper and sufficient care for the

maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safe-guarding the assets of the Company and for preventing and detecting fraud and other irregularities ; and

- The Annual Accounts have been prepared for the financial year ended March 31, 2007 on a going concern basis.

FOREIGN EXCHANGE EARNINGS

Foreign Exchange Earnings during the year were Rs.6353.49 lacs which is 75% of the Hotel Sales Turnover. The Foreign Exchange utilisation during the year was Rs.769.95 lacs.

DUES TO SMALL SCALE UNDERTAKINGS

There are no dues payable to small scale undertakings.

CORPORATE GOVERNANCE

Members are aware that the Corporate Governance code has become a statutory requirement as per listing guidelines framed by the Stock Exchanges. Members will be happy to know that their Company is complying with the stipulations of the new code as on date. In line with this requirement of the code, a Corporate Governance Report and a Management Discussion and Analysis Report of the Company is furnished elsewhere in this Annual Report.

ENERGY CONSERVATION

Conservation of energy continues to be on top priority of the management. The following energy conservation measures have been taken:

- Installed 1.50 MW environment friendly Wind Turbine Generator which generates electricity of about 40 lacs units p.a., which will be utilized for captive consumption of the Hotel, pending necessary Govt. approval.
- an effective key-tag system is in vogue in all guest rooms to switch off lights & power connections automatically.
- substantially switched over to PL lamps from conventional lamps with a view to saving energy upto 60% on lighting.
- installed solar panels which are feeding hot water required for the guest rooms.
- imported and installed three highly fuel efficient screw chillers for our AC plant.
- replaced windows with double glazed reflective glass with a view to save power on AC consumption.
- installed two on load tap charger transformers for stabilising voltage fluctuations and thereby to save power and prevent damage to electric motors and other installations.
- thermostatic Controls, Timers and Photo Cell Switches have been installed wherever necessary to control power consumption.
- imported and installed two temperature control systems to reduce power consumption.
- constituted an energy conservation committee to monitor power consumption regularly.

TECHNOLOGY ABSORPTION

In the opinion of the Board, the required particulars, pertaining to technology absorption in terms of Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are not applicable as hotel forms part of the service industry and the Company does not have any significant manufacturing operations. However, the management has been adopting the latest technology

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like LCD TV systems, high speed internet installed in all the guest rooms, latest high speed computers, modern guest amenities, best audio-video equipment, newest model transport vehicles for complimentary transport of hotel guests, video conferencing facility and various latest hotel operational equipments. Further the Hotel has been conforming to the Le Meridien's International Standards.

PARTICULARS OF EMPLOYEES

Information under section 217(2A) of the Companies Act, 1956, read with Companies (particulars of employees) Rules, 1975, is appended below :

Particulars of employees pursuant to the provisions of Section 217(2A) of the Companies Act, 1956 :

	Employed throughout the year			Employed for a part of the year
Name	Ms. Sangeeta C. Pardhanani	Mr. M.S. Reddy	Mr. G. Vijay	Mr. Suresh Kumar Badlaney
Age	39 years	53 years	45 years	57 Years
Remuneration	Rs.1,85,12,940/-	Rs.46,84,436/-	Rs.29,66,827/-	Rs. 6,85,257/-
Qualification	B.Com., DBM	B.Com., L.L.B., MBIM., from London, UK FCA, FCS	B.com., Diploma in Hotel Mgmt. from Florida, USA, Advance Mgmt. from Cornell University, USA	B.Com., DHM
Experience	5 years	27 years	21 years	31 Years
Date of commencement of employment	01.10.2002	13.08.1983	01.10.2005	16.03.1992
Last Employment held	Executive Director Mac Charles (I) Ltd.	Company Secretary and Chief Accounts Officer, Sri Krishna Rajendra Mills Ltd., Mysore	Director of Operation, Harsha Hospitality Management, USA	Chola Sheraton, Chennai
Designation	Managing Director	Financial Controller & Company Secretary	Vice President and Director of Development	General Manager

EMPLOYEES

The settlement agreements individually and in groups have been signed by majority of workmen. The Union's charter of Demands has been referred to the Labour Tribunal for adjudication. The relationship with employees has been cordial. The total number of persons employed by the Company is 439 as at 31 March 2007.

DIRECTORS

Out of the present Directors, Mr. J. Matthan and Mr. B.N. Garudachar will retire by rotation at the 27th Annual General Meeting and being eligible offer themselves for re-appointment.

AUDIT COMMITTEE

The Audit Committee comprising of Mr. C.B. Pardhanani, Mr. J. Matthan, Mr. B.N. Garudachar and Mr. P.B. Appiah all Directors of the Company with Mr. J. Matthan as the Chairman, discharged its duties and functions in consultation with the Internal and Statutory Auditors: (a) To review the adequacy of the internal control system and internal Audit Reports and their compliance thereof: (b) To oversee the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible: and (c) To review with the management, the financial statements before submission to the Board.

AUDITORS' REPORT ON CORPORATE GOVERNANCE

As required by Clause 49 of the Listing Agreement, the Auditor's Certificate is given as an annexure to Directors Report.

AUDITORS

M/s. K.B. Nambiar & Associates, Chartered Accountants, retire at the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment.

INTERNAL AUDITORS

M/s. B.P. Rao & Company, Internal Auditors have been conducting quarterly audits of all operations of the Company and their findings have been reviewed regularly by the Audit Committee. Your Directors note with satisfaction that no material deviations from the prescribed policy and procedures have been observed.

SECRETARIAL AUDIT

As per SEBI Regulations, secretarial audit is being carried out at the specified periods by a practicing Company Secretary. The findings of the secretarial audit are satisfactory.

FUND

"Investors Education & Protection Fund in terms of Section 205C of the Companies Act, 1956 – There is no amount to be credited to the fund as on date. As such the question of remitting any amount to the Investors Education & Protection Fund does not arise".

ACKNOWLEDGEMENTS

Your Directors are grateful to the Shareholders for their support and co-operation extended to the Company for many years. The Directors also thank the Banks namely State Bank of India and State Bank of Mysore for their co-operation and support. The Directors wish to place on record the support and encouragement received from the Department of Tourism, Government of India, Karnataka State Government and Foreign collaborators M/s. Le Meridien. The Directors also acknowledge the dedicated services rendered by the officers and all the staff of the Company.

For and on behalf of the Board

Bangalore
20 August 2007

C.B. Pardhanani
Chairman

MAC CHARLES (INDIA) LIMITED

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE:

As required by Clause 49 of the Listing Agreement, the Auditor's Certificate is given as an annexure to the Director's Report.

**ANNEXURE TO THE REPORT OF THE DIRECTORS
CERTIFICATE FROM AUDITORS REGARDING
COMPLIANCE OF CONDITIONS OF CORPORATE
GOVERNANCE**

To,

THE MEMBERS OF M/S.MAC CHARLES (INDIA) LIMITED

We have examined the compliance of conditions of Corporate Governance by MAC CHARLES (INDIA) LIMITED, for the year ended 31 March 2007, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement, except that the Company has held only three Audit Committee Meetings during the year instead of four and the time gap between two Audit Committee Meetings in one instance is more than four months.

We state that there are seven investors' grievances pending for a period exceeding one month as at 31 March 2007 as per the records maintained by the Company and as taken on record by the Share Transfer cum Share Holders Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **K. B. NAMBIAR & ASSOCIATES**
Chartered Accountants

Bangalore
20 August 2007

K.B. Nambiar
Partner (M. No. 7211)

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CORPORATE GOVERNANCE REPORT

COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Corporate Governance is the social, legal and economic process by which companies function and are held accountable. Messrs. Mac Charles (India) Ltd., is committed in implementing corporate governance in true letter and spirit, maximizing shareholder value and paving way for good partnership and alliances. The company believes in having a long term partnership with investors by having transparency and fairness in the dealings and placing an uncompromising emphasis on integrity and regularity of compliance

The functions of the Board of Directors and the executive management are well defined and are distinct from one another. The Chairman of the company is a non-executive Director. More than 1/3rd strength of the Board of Directors is independent. Various (presently three) Committees of the Board of Directors, mainly consist of Executive and non-executive Directors and have been formed to oversee the functions of the executive management and impart professionalism to the Board.

BOARD OF DIRECTORS

The Company has an appropriate mix of executive and independent directors to maintain the independence of the Board and to separate the Board functions of governance and the executive management. During the year the Board comprised of Chairman, one Managing Director and five Non-Executive Directors of whom four were independent Directors.

Board Meetings are scheduled well in advance. Agenda papers along with explanatory notes are distributed in a timely manner to Board members. The Board meets at least once in every quarter to review the quarterly financial results and discuss issues of import. During the year under review five Board Meetings have taken place on 30 June 2006, 11 August 2006, 25 September 2006, 5 December 2006 and 27 March 2007.

Table 1 : Details of attendance of each Director at various meetings of the company and their Directorship held at other corporate bodies are as follows :

Sl. No	Name of Director	Category	No. of Board Meetings Attended	Last AGM attended	No. of Committee Member	No. of Chairmanship in Board / Committee	No. of Other Directorships (Public Ltd Companies)	No. of Other Directorships (Private Ltd. Companies)	Number of Shares Held
1.	Mr. C.B. Pardhanani	Non- Executive	4	YES	3	2	NONE	3	1000150
2.	Mr. J. Matthan	Independent	5	YES	3	2	NONE	1	200
3.	Mr. B.N. Garudachar	Non- Executive Independent	4	YES	1	NONE	NONE	NONE	----
4.	Mr. K.R.Sampath	Non- Executive Independent	2	YES	NONE	NONE	NONE	NONE	-----
5.	Mr. P.B. Appiah	Non- Executive Independent	5	YES	2	NONE	1	NONE	-----
6.	Mrs. Kavita C. Pardhanani	Non-Executive	3	NO	NONE	NONE	NONE	2	2500
7.	Ms. Sangeeta C. Pardhanani	Executive	3	NO	NONE	NONE	NONE	3	321750

None of the Directors is a Member of more than ten Board-level Committees, or a Chairman of more than five such Committees, as required under clause 49 of the listing agreement.

Particulars of Directorships of other Companies and Memberships of their Committees

Name of the Director	Other Directorships		Other Committee Membership		
	Name of the Company	Position	Name of the Company	Committee	Position
Mr. C B Pardhanani	Kapi Investment Ink Ltd., Mauritius	Director		NIL	
	Sanko Properties Pvt. Ltd.	Director			
	Vaswani Properties Pvt.Ltd.	Director			
	Vaswani Investments & Holdings P. Ltd.	Director			
Mr. J Matthan	Hosmat Hospital Pvt.Ltd.	Director		NIL	
Mr. B N Garudachar				NIL	
Mr. K R Sampath				NIL	
Mr. P B Appiah	Integrated Finance Co.Ltd.	Director	Integrated Finance Co.Ltd.	Audit Committee	Member
Mrs.Kavita C Pardhanani	Vaswani Properties Pvt.Ltd.	Director		NIL	
	Vaswani Investments & Holdings P. Ltd.	Director			
Ms.Sangeeta C Pardhanani	Sanko Properties Pvt. Ltd.	Director		NIL	
	Vaswani Properties Pvt.Ltd.	Director			
	Vaswani Investments & Holdings P. Ltd.	Director			